



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 8

1595 Wynkoop Street
DENVER, CO 80202-1129
Phone 800-227-8917
<http://www.epa.gov/region08>

MAR 26 2012

Ref: 8ENF-UFO

CERTIFIED MAIL and EMAIL
RETURN RECEIPT REQUESTED

Scott M. DuBoff
Garvey Schubert Barer
1000 Potomac Street, N.W.
Fifth Floor
Washington, D.C. 20007

Steve Leifer
Baker Botts LLP
The Warner
1299 Pennsylvania Ave., N.W.
Washington, D.C. 20004-2400

Elizabeth Mack
Locke Lord LLP
2200 Ross Avenue, Suite 2200
Dallas, TX 75201

Re: Fort Peck East Poplar Oil Field
Safe Drinking Water Act Emergency Administrative
Order on Consent Docket No. SDWA-08-2012-0019

Dear Counsel for Respondents in the above-referenced matter:

Enclosed, please find your copy of the final Safe Drinking Water Act Emergency Administrative Order on Consent (AOC). This AOC's effective date is MAR 26 2012. The persons listed in paragraph 19 of this AOC are being informed of this matter pursuant to the terms of paragraph 31. If you should have any questions about this matter, please feel free to contact Nathan Wiser at (303) 312-6211 or Jim Eppers at (303) 312-6893.

Sincerely,

A handwritten signature in black ink, appearing to read "Darcy O'Connor".

Darcy O'Connor
Acting Director
UIC/FIFRA/OPA Technical Enforcement Programs

Enclosure

cc: Deb Madison (w/Enclosure)
Office of Environmental Programs
Fort Peck Tribes
P.O. Box 1027
Poplar, Montana 59255

Mayor and City Attorney (w/Enclosure)
City of Poplar, Montana
P.O. Box 695
Poplar, Montana 59255

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 8

2012 MAR 26 AM 9:09

In the matter of:

Murphy Exploration & Production Co.-USA)

Pioneer Natural Resources USA, Inc., and

SGH Enterprises, Inc.

Respondents.

East Poplar Oil Field

Fort Peck Indian Reservation

Montana

Proceedings under Section 1431(a) of the
Safe Drinking Water Act,
42 U.S.C. §300g-i(a)

Docket No. SDWA-08-2012-0019

Administrative Order

On Consent

("AOC")

Replacing Emergency Administrative

Order Docket No. SDWA-08-2011-0006

WHEREAS, on December 16, 2010, the United States Environmental Protection Agency ("EPA") Region 8 issued a unilateral Emergency Administrative Order ("EAO") under Section 1431(a) of the Safe Drinking Water Act (docket number SDWA-08-2011-0006), concerning contamination of the City of Poplar, Montana's ("City's") public water supply originating from an existing up-gradient contaminated underground source of drinking water ("USDW") in the East Poplar Oil Field, on the Fort Peck Indian Reservation in northeastern Montana; and

WHEREAS, Murphy Exploration & Production Company - USA ("Murphy"), Pioneer Natural Resources USA, Inc. ("Pioneer"), and SGH Enterprises, Inc. ("SGH") (hereinafter together referred to as the "Respondents") are the Respondents to that EAO; and

WHEREAS, the Respondents dispute the EAO's findings and filed separate Petitions for Review challenging the EAO and those Petitions for Review are currently pending in the United States Court of Appeals for the Third Circuit; and

WHEREAS, EPA and the Respondents have been engaged in settlement discussions with the assistance of the Third and Tenth Circuit Mediators; and

WHEREAS, EPA and the Respondents desire to resolve the matters covered by the EAO without further litigation; and

WHEREAS, EPA asserts that its authority for entering into this Administrative Order on Consent ("AOC") is section 1431(a) of the Safe Drinking Water Act ("SDWA" or "the Act"), 42 U.S.C. §300i(a), which authority has been properly delegated to the undersigned EPA program supervisors;

WHEREAS, no other appropriate governmental agency has taken the actions EPA deems necessary to protect the health of persons whose source of drinking water is the contaminated aquifer, and

WHEREAS, EPA believes the groundwater in the contaminated USDW in the East Poplar Oil Field may move, should be monitored, and may warrant additional actions in the future;

NOW THEREFORE, without any admission of fact or law by the Respondents, EPA and these Respondents hereby agree as follows:

1. This AOC replaces and supersedes the previously issued Emergency Administrative Order, bearing docket number SDWA-08-2011-0006.
2. This AOC is binding upon the Respondents and their successors.

3. While the Respondents do not admit to any matter, factual or legal, by entering into this AOC, the Respondents agree that the requirements of this AOC are specifically enforceable by EPA against them in the United States District Court for the District of Montana or another appropriate forum. In the event EPA brings an action to enforce the requirements of this AOC, the Respondents agree not to dispute the enforceability of the requirements of this AOC or to contest the jurisdiction of the Court to entertain the action or to order appropriate relief, nor shall the Respondents challenge EPA's authority to enter into this AOC or to bring such an action.

ADMINISTRATIVE ORDER ON CONSENT (AOC)

4. Respondents agree to and are hereby ordered, in accordance with Paragraphs 5 through 15 hereof, to (a) monitor the water quality of the City's public drinking water supply, (b) ensure that water provided to the City's residents through its public water system meets certain standards if monitoring results equal or exceed the trigger value specified in paragraph 10, and (c) if the conditions of paragraph 15 are met, make the payment specified therein to the City toward reimbursing the City's cost to relocate its public water supply wells.

AOC Requirement A – Monitor City of Poplar's Public Water Supply

5. At their sole cost and expense, Respondents shall monitor on a monthly basis the quality of the City's water supply for the parameters shown in table 1. Every third month's sample shall be a quarterly sample, which shall be collected in March, June, September and December. Sample points shall include, at a minimum, the raw water produced by the City's well number COP-1, the raw water produced by the City's well number COP-2, and at the point where the City's combined and treated water enters the City's public

drinking water distribution network (also known as the distribution point sample). Raw water samples shall be collected at operating wells only, provided that Respondents may elect to sample a non-operating well in conjunction with a monthly sampling event under this paragraph, or at such other times as Respondents deem warranted, to measure relevant parameters. Respondents may also elect to sample at additional points as they deem warranted, and the results of such samples, as well as the elective samples described in the preceding sentence, shall be reported to EPA under the same time frame as the samples that are required under this AOC. Table 1 shows all required sample parameters and their analytical methods. The frequency of sampling for a given parameter is indicated by a “yes” in the “monthly” or “quarterly” column.

Table 1 – Sampling Parameters at City of Poplar Public Water Supply			
Analyte	Sample Frequency of Analyte		EPA Method Number
	Monthly	Quarterly	
Total dissolved solids	Yes	Yes	106.1 or 2540 C (as described in Standard Methods for the Examination of Water and Wastewater)
Chloride	Yes	Yes	300.0
Strontium		Yes	200.7
Manganese		Yes	200.7
Sodium		Yes	200.7
Sulfate		Yes	300.0
Calcium		Yes	200.7
Bromide		Yes	300.0

Lithium		Yes	200.7
Barium		Yes	200.7
Benzene		Yes	524.2
Ethylbenzene		Yes	524.2
Toluene		Yes	524.2
Total xylenes		Yes	524.2

6. Samples collected pursuant to the requirement in paragraph 5 shall be analyzed and reported to the persons listed in paragraph 19 within 21 calendar days after sample collection, except for confirmation samples defined in paragraph 8, which shall be reported within 7 calendar days after a sampling event. Respondents shall provide notice of any quality assurance or quality control problem that would require a longer turnaround time for one or more analytes promptly after any of the Respondents learn of any such issue.
7. Samples shall be collected on approximately the same day each month.
8. A confirmation sample, in the form of the next month's sample, shall be taken when the preceding month's distribution point sample exhibits the trigger value defined in paragraph 10. The confirmation sample is a sample for total dissolved solids and chloride, but with an accelerated turnaround time of 7 calendar days for reporting analytical results to the persons listed in paragraph 19. As with all monthly samples, the confirmation sample is required to be taken at each sample point defined in paragraph 5.
9. Sampling may be discontinued after either

(a) the Fort Peck Rural Water System pipeline is built to or near the City of Poplar, or

(b) the City has relocated its public water supply wells; and

the replacement water from either the pipeline or new wells is being distributed to customers and such water meets all primary drinking water standards as defined in Title 40 of the Code of Federal Regulations, Part 141. Compliance with such standards shall be determined (in the case of the Fort Peck Rural Water System pipeline) based on analysis of the water delivered by the pipeline to the City's water system or (in the case of the City's new wells) at the distribution point defined in paragraph 5.

10. The trigger value is a distribution point sample result exhibiting both a total dissolved solids concentration equal to or greater than 1,506 mg/L and a chloride concentration equal to or greater than 356 mg/L.
11. A confirmation sample, defined in paragraph 8, exhibiting the trigger value defined in paragraph 10, shall require Respondents to take the actions described in *AOC Requirement B*, as described in paragraphs 12 through 14, and is referred to below as a triggered event.

AOC Requirement B – Responding to a Triggered Event

12. In response to a triggered event, Respondents shall take whatever measures are necessary to ensure that (a) the water being distributed by the City of Poplar to all consumers of such water, as measured at the distribution point defined in paragraph 5, does not exceed the levels set forth in Table 2, and (b) any water they provide does not exceed the concentrations set forth in Table 2 and does not exceed any other primary drinking water standard as defined in 40 CFR Part 141.

Table 2 – Triggered Event Water Quality Requirements	
Chemical	Concentration Limit
Benzene	0.005 mg/L
Toluene	1.0 mg/L
Ethylbenzene	0.7 mg/L
Xylenes (total)	10 mg/L
Chloride	250 mg/L
Manganese	0.3 mg/L
Sodium	400 mg/L
Sulfate	500 mg/L
Total dissolved solids	2,000 mg/L

All necessary steps to ensure water provided meets these levels shall be implemented within 7 calendar days after delivery of the confirmation sample results confirming that the trigger value defined in paragraph 10 is exhibited.

13. Respondents' obligation to take action in response to a triggered event shall terminate after either
 - (a) the Fort Peck Rural Water System pipeline is built to or near the City of Poplar, or
 - (b) the City has relocated its public water supply wells; and
 the replacement water from either the pipeline or new wells is being distributed to customers and such water meets all primary drinking water standards as defined in Title

40 of the Code of Federal Regulations, Part 141. Compliance with such standards shall be determined (in the case of the Fort Peck Rural Water System pipeline) based on analysis of the water delivered by the pipeline to the City's water system or (in the case of the City's new wells) at the distribution point defined in paragraph 5.

14. If not otherwise terminated under paragraph 13, Respondents' obligation to take action in response to a triggered event may, at the discretion of Respondents and after notice to the parties named in paragraph 19, terminate if two successive monthly raw water samples from either COP-1 or COP-2 (if only one well is operating at the time the successive samples are collected) exhibit total dissolved solids and chloride levels below the trigger value defined in paragraph 10, or a combination of COP-1 and COP-2 samples (if both wells are operating at the time the successive samples are collected) shows that, based on the mixing calculation below, water from the two wells can be combined such that the delivered water exhibits both total dissolved solids and chloride levels below the trigger value described in paragraph 10. The mixing calculation below shall be performed once for total dissolved solids and once for chloride, in order to determine whether the blend of water from COP-1 and COP-2, as it may be adjusted, is such that water at the distribution point is below the trigger value defined in paragraph 10.

Mixing calculation: $[Vol_D \times Conc_D] = [Vol_{COP1} \times Conc_{COP1}] + [Vol_{COP2} \times Conc_{COP2}]$

Where:

Vol_D = volume at the City's distribution point defined in paragraph 5,
 $Conc_D$ = concentration of [TDS or Cl] at the City's distribution point,
 Vol_{COP1} = volume produced by City's COP-1 well,
 $Conc_{COP1}$ = concentration of [TDS or Cl] from City's COP-1 well,
 Vol_{COP2} = volume produced by City's COP-2 well, and
 $Conc_{COP2}$ = concentration of [TDS or Cl] from City's COP-2 well.

AOC Requirement C – City of Poplar Reimbursement

15. Provided that by January 1, 2013, the City of Poplar (a) is receiving newly-supplied drinking water via either the afore-mentioned newly-located water supply wells or piped water from the Fort Peck Rural Water System as envisioned in paragraph 9, and (b) has expenditures of approximately \$320,000 for installation of the water supply wells, the associated pipeline, and providing water from the Fort Peck Rural Water System to the City's residents, which amount is confirmed by the City's engineering consultant, Interstate Engineering, Inc. (via electronic mail to the persons listed in paragraph 19), as the approximate portion of the City's expenditures for such work that is attributable to the City's own funds rather than grant funding, Respondents shall pay the City of Poplar \$320,000 for costs incurred in connection with the newly-located water supply wells and associated drinking water pipeline. Respondents' payment of \$320,000 shall be due by February 1, 2013.

DISMISSAL OF EXISTING PETITIONS FOR REVIEW

16. Within ten (10) business days after the issuance date of this AOC, Respondents shall move to dismiss with prejudice their respective Petitions for Review of the EAO, bearing docket number SDWA-08-2011-0006 (including Third Circuit Case Numbers 11-1027, 11-1042, and 11-1044).

FORCE MAJEURE

17. The Respondents shall perform the actions required of them under this AOC within the time limits set forth in this AOC, unless the performance is prevented or delayed solely by events which constitute a Force Majeure event. A Force Majeure event is defined as any event arising from causes beyond the control of the Respondents, including their

employees, agents, consultants and contractors, which could not be overcome by due diligence and which delays or prevents the performance of an action required of them in this AOC within the specified time period. A Force Majeure event does not include, inter alia, increased costs of performance, changed economic circumstances, changed labor relations, normal climatic conditions, or failure to obtain federal, state or local permits if such failure is due to unjustified delay or negligence on the part of the Respondents. When circumstances are occurring or have occurred which may delay the completion of any requirement of this AOC whether or not due to a Force Majeure event, the Respondents shall so notify EPA in writing within fifteen (15) days after Respondents learn, or in the exercise of reasonable diligence under the circumstances should have learned, of the delay or anticipated delay. The notice shall describe in detail the basis for the Respondents' contention that they experienced a Force Majeure delay, the anticipated length of the delay, the precise cause or causes of the delay, the measures taken or to be taken to prevent or minimize the delay, and the timetable by which those measures will be implemented. Failure to so notify EPA shall constitute a waiver of any claim of Force Majeure as to the event in question. If EPA finds that a delay in performance is, or was, caused by a Force Majeure event, it shall extend the time for performance in writing for a period to compensate for the delay resulting from such event and EPA will not seek imposition of any penalty for such period. In any proceeding regarding a dispute with respect to delay in performance, the Respondents shall have the burden of proving that the delay is, or was, caused by a Force Majeure event, and that the additional time requested is necessary to compensate for that event.

GENERAL PROVISIONS

18. All deadlines in this AOC specified as days before or after a certain event or requirement are defined as calendar days, unless otherwise stated.
19. Unless otherwise stated, all reports and notifications herein required, or otherwise distributed among the parties in connection with this AOC, shall be submitted to the following persons:

For **EPA**:
Nathan Wiser
U.S. Environmental Protection Agency
Office of Enforcement, Compliance
and Environmental Justice
Technical Enforcement Program (8ENF-UFO)
1595 Wynkoop Street
Denver, Colorado 80202
Telephone (303) 312-6211
Facsimile (303) 312-6409
Email: wiser.nathan@epa.gov

For **Murphy** (principal representative):
Sam Chamberlain
Murphy Oil Corporation
200 Peach Street
El Dorado, Arkansas 71730
Telephone (870) 864-6334
Facsimile (870) 881-6648
Email: sam_chamberlain@murphyoilcorp.com

With a copies to--

Ted Botner
Murphy Oil Corporation
200 Peach Street
El Dorado, Arkansas 71730
Telephone (870) 864-6423
Facsimile (870) 864-6489
Email: ted_botner@murphyoilcorp.com

Sid Campbell
2903 Samantha Cove Court
Katy, Texas 77494
Telephone (713) 516-2703
Email: sid_campbell@me.com

AND

Scott M. DuBoff
Garvey Schubert Barer
1000 Potomac Street, N.W.
Fifth Floor
Washington, D.C. 20007
Telephone (202) 965-7381
Facsimile (202) 965-1729
Email: sduboff@gsblaw.com

For **Pioneer** (principal representative)
Pioneer Natural Resources USA, Inc.
Michael Jacobs
4815 East Highway 80
Midland, Texas 79706
Telephone (432) 571-2927
Facsimile (432) 656-1252
Email: Michael.Jacobs@pxd.com

With a copies to—

Pioneer Natural Resources USA, Inc.
Jeff Rees, Vice President, Domestic Law
5205 N. O'Connor Blvd.
Suite 200
Irving, Texas 75039
Telephone (972) 969-4040
Facsimile (214) 889-7141
Email: jeff.rees@pxd.com

AND

Steve Leifer
Baker Botts LLP
The Warner
1299 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2400
Telephone (202) 639-7723
Fax (202) 585-1040
Email: sleifer@bakerbotts.com

For **SGH** (principal representative)
Mark S. Dalton
The Samson Companies
Two West Second Street
Tulsa, OK 74103
Telephone (918) 591-1369
Facsimile (918) 591-7369
Email: mdalton@samson.com

With a copies to—

Michael G. Daniel
General Counsel
The Samson Companies
Two West Second Street
Tulsa, OK 74103
918-591-1007
918-591-1796 (fax)

AND

Elizabeth E. Mack
Locke Lord LLP
2200 Ross Avenue, Suite 2200
Dallas, TX 75201
Telephone (214) 740-8598
Facsimile (214) 756-8598
Email: emack@lockelord.com

For **City of Poplar**
Mayor and City Attorney, City of Poplar
P.O. Box 695
Poplar, MT 59255
Telephone (406) 768-3483
Facsimile (406) 768-3422
Email: cityofpoplar@nemont.net

20. The provisions of this AOC shall apply to and be binding upon the Respondents, their officers, contractors, directors, agents, successors and assigns. Each Respondent shall give notice of this AOC to any successor in interest prior to such Respondent's transfer of any legal interests within the East Poplar Unit. Action or inaction of any persons, firms, contractors, employees, agents, or corporations acting under, through or for the Respondents, shall not excuse any failure of the Respondents to fully perform their obligations under this AOC.
21. Nothing in this AOC shall be construed to create any rights in, or grant any cause of action to, any person not a party to this AOC.
22. By consenting to this AOC, the Respondents agree not to challenge the terms of this AOC in any U.S. Court of Appeals or any other forum.
23. EPA does not waive its authority to seek injunctive relief, costs, interest, and any appropriate penalty associated with any failure by the Respondents to comply with the terms of this AOC.
24. This AOC does not constitute a waiver, suspension, or modification of the requirements of any federal or state statute, regulation, or condition of any permit issued thereunder, including the requirements of the SDWA, which remain in full force and effect. Issuance of this AOC is not a waiver by EPA (or any other entity) of its authority to initiate any additional administrative, civil, or criminal action(s) otherwise authorized under the SDWA or other authority or law.
25. Violation of any term of this AOC may subject the Respondents to an administrative civil penalty of up to \$16,500 for each day in which such violation occurs or failure to comply

continues, pursuant to §1431(b) of the Act, 42 U.S.C. §300i(b).

26. Respondents are jointly and severally responsible for *AOC Requirements A* through *C* contained in Paragraphs 5 through 15 of this AOC.
27. EPA and the Respondents agree to bear their own costs and attorneys fees in connection with this matter, including all administrative and judicial proceedings to date.

ISSUANCE PROCEDURES FOR THIS AOC

28. Each Respondent shall sign its designated signature page in this AOC and, on the same day or the next business day, transmit the original of the signed signature page to EPA for incorporation into a single, final document to be filed with the Region 8 Hearing Clerk.
29. The issuance date of this AOC shall be the date a fully executed, file-stamped copy is filed with the Region 8 Hearing Clerk.
30. EPA shall mail a copy of the file-stamped AOC to each Respondent using Certified U.S. Mail on the date of filing or on the next business day.
31. EPA shall telephone and email each of the parties in Paragraph 19 on the day the AOC is file-stamped, informing each party of the AOC's issuance date.
32. Each of the undersigned representatives of the parties to this AOC certifies that he or she is fully authorized by the party represented to execute and legally bind the party to the terms and conditions of this AOC.

Signed this 26th day of march, 2012.



Darcy O'Connor, Acting Director
UIC/FIFRA/OPA Technical Enforcement Programs
Office of Enforcement, Compliance,
and Environmental Justice
United States Environmental Protection Agency, Region 8

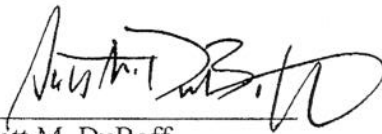


Matt Cohn, Director
Legal Enforcement Program
Office of Enforcement, Compliance,
and Environmental Justice
United States Environmental Protection Agency, Region 8

MURPHY EXPLORATION & PRODUCTION COMPANY – USA

Date: March 7, 2012

By:



Scott M. DuBoff

Title: Legal Counsel for Murphy Exploration
& Production Company – USA
c/o Garvey Schubert Barer
1000 Potomac Street, N.W.
Fifth Floor
Washington, DC 20007

PIONEER NATURAL RESOURCES USA, INC.

Date: 3/9/12

By:  _____

Title: VP Domestic Law

SGH Enterprises, Inc.

Date: 3/2/2012 By: Michael G. Daniel

Michael G. Daniel

Title: General Counsel

CERTIFICATE OF SERVICE
Docket No. SDWA-08-2012-0019

I hereby certify that the original and a true copy of the Administrative Order on Consent bearing the above-referenced Docket number were hand-carried to the Regional Hearing Clerk, EPA Region 8, 1595 Wynkoop Street, Denver, Colorado, and that a true copy of the same was sent via Certified Mail Return Receipt Requested mail to:

Scott M. DuBoff
Garvey Schubert Barer
1000 Potomac Street, N.W.
Fifth Floor
Washington, D.C. 20007,

Steve Leifer
Baker Botts LLP
The Warner
1299 Pennsylvania Ave., N.W.
Washington, D.C. 20004-2400, and

Elizabeth Mack
Locke Lord LLP
2200 Ross Avenue, Suite 2200
Dallas, TX 75201.

Dated: 3/26/2012 By: Judith McTernan
Judith McTernan